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ABSTRACT

The instructor's guide provides eight detailed lesson plans for instructing military personnel in the preparation of their U.S. Income Tax Returns. The plans cover the following subjects: requirements for filing returns of income and declaration of estimated tax; exemptions; gross income; exclusions and deductions to arrive at adjusted gross income; percentage standard deduction, low income allowance, and itemized deductions; rental income and depreciation; aliens; and exclusion of earned income from sources outside the U.S., Section 911. For each lesson the guide lists objectives, total time, methods, training aids, student materials used, references, and notes to the instructor for developing the various content areas within the lesson. (JR)

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Instructor Guide

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U.S. Armed Forces Training income tax law

Department of the Treasury
Internal Revenue Service

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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Training 3005-01 (11-75)

Introduction

This course, designed primarily for the United States Armed Forces, is intended to furnish a brief summary of United States income tax law. It offers a compilation of information and reference material helpful to military personnel in the preparation of their U.S. Income Tax returns.

As an instructor of people who will be assisting military personnel in the preparation of their tax returns you will, of course, provide them with as much technical knowledge as possible in the time permitted. In addition, however, continual emphasis should be made to participants that as "assistors" they should do everything possible to obtain all the facts so that the person they are helping pays the correct tax. This may require discussion and some probing questions. An assistor can only consider the job "well done" when the taxpayer has arrived at the correct amount of tax due and has taken all the exemptions, exclusions, deductions, etc., which are allowable. Each lesson in the course is preceded by objectives for the material to be taught.

Training Aids

The only training aids required in the course are blowups of Form 1040, 1040A and the various schedules discussed in the course. Class participants should also be provided with handouts of the forms

Cautionary Note

The Course Book will be useful for reference purposes, to answer inquiries and to assist in returns preparation. It should not, however, be relied on as encompassing all facets of the subject. Assistors should be cautioned that research in other authoritative tax publications or contact with the IRS is advisable on the more difficult or unusual problems encountered. The Course Book should not be cited as authority for any position taken.

Instructor References

Form 1040, Package 1
IRS Publication 17, Your Federal Income Tax
Armed Forces Federal Income Tax (NAVSO P-1983)
IRS Publication 54, Tax Guide for U.S. Citizens Abroad
IRS Publication 514, Foreign Tax Credit for U.S. Citizens and Resident Aliens
IRS Publication 516, Tax Information for U.S. Gov't Civilian Employees Stationed Abroad
IRS Publication 519, United States Tax Guide for Aliens
IRS Publication 553, Highlights of 19-- Changes in the Tax Law
IRS Publication 555, Community Property and the Federal Income Tax
IRS Publication 757, U.S. Armed Forces Income Tax Law Course Book

Lesson Plan 1

Course.
U.S. Armed Forces Training - Income Tax Law

Lesson:
Requirements for Filing Returns of Income and Declaration of Estimated Tax

Objectives:
At the end of this lesson participants will be able to:

1. State the requirements for filing returns of income and a declaration of income tax.
2. Explain the use and advantages of filing joint vs. separate returns.
3. Determine if they qualify for surviving spouse or head-of-household status.
4. Explain the use of Forms 1040, 1040A, 1040ES and 1040X.
5. Define "statute of limitations."
6. Describe the various penalties which may be imposed.

Total Time
4 hours

Methods:
Lecture and discussion.

Training Aids:
Blow-ups of 1040, 1040A and handouts of various forms discussed in this lesson.

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, Armed Forces Federal Income Tax

Content:	Notes:
Introduction	Introduce yourself and other instructors, if any. If there is a guest speaker to "kick-off" the class, introduce him and have him speak at this time. Take care of any administrative matters.
Scope	Describe purpose of course and subject matter to be covered with its emphasis directed to military personnel. Advise participants where additional information or assistance may be obtained. Answer any questions. Tell them that questions may be raised at any time.
Filing Requirements: General rules for U.S. citizens	Describe general requirements for filing with relation to income, filing status, and whether under or over 65 years of age. Discuss filing requirements even though certain conditions or situations exist (as indicated in course book). Discuss filing requirement with regard to self-employment income.

Content:	Notes:
Dependent taxpayers with unearned income	Describe filing requirements for children under age 19 or full-time students earning $750. Discuss unearned income and sources of unearned income. Discuss when a parent is not entitled to a personal exemption for a child or student. Discuss entitlement to exemption vs. actually claiming the exemption.
Gross income	Define gross income as it applies to the "required to file income level test". Discuss four classifications as to what constitutes gross income.
General information submitted on a return	Discuss name, Social Security Number, use of permanent vs. current address.
Filing Status:	
General	Briefly indicate the five filing statuses before discussing each one in detail. Discuss advantages of early selection.
Single	Define and discuss. Describe how certain "single" taxpayers may qualify for other filing statuses.
Married filing joint return	Describe options and responsibilities, including citizenship and residency requirements. Discuss effect of death on a joint return. Discuss "highlights" indicated in Course Book.
–Problems	Discuss problems which may be encountered when electing to file a joint return.
–Advantages and disadvantages	Describe advantages and disadvantages and offer general conclusion.
Married filing separately	Discuss option, requirements (including itemizing deductions) and what each spouse would be liable for.

Content:	Notes:
Filing Status (continued)	
	Discuss the factors involved in changing election.
	Discuss status and conditions pertaining to married persons living apart.
Unmarried head of household	Discuss how tax computation for this status compares to others.
–Requirements	Discuss marital status requirement and maintenance of household requirement. Describe, in detail, factors which determine eligibility.
Widow(er) with dependent child	Describe the five requirements to be qualified for this status. Discuss advantages, limitations and conditions.
What form to file –Form 1040A	Describe eligibility requirements and other conditions which determine whether a Form 1040A may be used. Discuss earned income credit when applying $400 rule.
–Form 1040	Discuss conditions under which it is mandatory and when it is advisable to use a Form 1040 instead of Form 1040A.
Itemizing deductions	Describe a test which will help in deciding whether itemizing deductions will reduce tax liability.
When and where to file	Discuss filing deadline and where to send individual income tax returns. Tell where addresses may be found.
Extensions	Describe use of Form 4868 and indicate taxpayer's responsibilities.
	Explain use of Form 2668 and Form 2350.
–Extension while abroad	Explain automatic extension for citizens abroad on April 15, statement required and interest provision.

Content:	Notes:
Filing Status (continued)	
–Hospitalization	Describe extension and eligibility. Discuss content of required statement if qualifying. Describe options of wife under these conditions.
–Postponement for missing persons	Explain conditions and provision of the law.
Statute of Limitations	Explain that the law prescribes a specific period within which taxes may be assessed and collected.
General rule	Describe the general rule.
Failure to file a return Filing of false or fraudulent return with intent to evade taxes Omitting more than 25% of gross income	Explain each of these three items.
Claims for refunds	Describe time limitations for filing a claim for refund or credit.
Penalties Delinquency penalty Negligence penalty Fraud penalty Failure to pay tax penalty	Explain what constitutes each of these penalties and what the law provides.
Estimated Income Tax Payments	Explain why estimated tax payments are made, what tax form is used, and the conditions under which additional charges or penalties can be made.
Who must make a declaration	Describe the conditions which require making a declaration of estimated tax.
Due dates	Discuss due dates.
Amended declarations	Discuss when and how an amended declaration would be filed.

Lesson Plan 1 (Cont. 4)

Content:	Notes:
Alternative	Describe how filing a declaration of estimated tax may be avoided.
Additional Facts on Withholding of Tax	Explain conditions under which no tax would be withheld on wages. Explain voluntary withholding of tax on pension and annuity payments and how it may be accomplished.
Summary	Review all material covered during this lesson following outline in Course Book.
Quizzes	Have participants take the quizzes on pages 10-12. Allow them to grade each others answers. Discuss any points in which the class may be interested.

Lesson Plan 2

Course:
U.S. Armed Forces Training - Income Tax Law

Lesson:
Exemptions

Objectives:
At the end of this lesson participants will be able to:
1. Correctly determine the number of personal exemptions and dependency exemptions they are entitled to.
2. Correctly indicate the number of exemptions on the Form 1040 or Form 1040A they prepare.

Total Time
3 hours

Methods:
Lecture and discussion

Training Aids:
Blow-ups of Forms 1040 and 1040A and Form 2120, Multiple Support Declaration

Student Materials:
Course Book, Publication 757

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Content:	Notes:
Introduction	Briefly describe what this lesson will cover. Mention difference between military meaning of "dependent" and its meaning for tax purposes. Also mention five dependency tests which must be met.
Personal Exemption	Describe personal exemption and amount each taxpayer is entitled to. Also mention the additional exemptions he may be entitled to. Specify the $30 tax credit.
Exemption for Age	Describe requirements.
Exemption for Blindness	Describe visual requirements to be considered blind and mention statement required.
Exemption for Wife or Husband	Explain requirements and discuss examples.
	Describe distinction between an exemption and a dependent and show examples.
Exemption for Nonresident Alien Spouse	Describe requirements.

Content:	Notes:
Exemptions for Dependents	Explain allowance for dependent and that no additional exemptions are allowed for age or blindness of dependents. Discuss birth or death of a dependent during year.
	Mention each of the five separate tests that must be met to claim a dependency exemption.
Support test	Describe requirements, define "support," and discuss examples.
	Describe multiple support and procedure to be followed if claiming a dependent under these conditions. Explain preparation of Form 2120.
	Discuss support test in case of a child of divorced parents. Go over Chart 3 in Appendix C.
Gross income test	Describe requirements and define "student" and "child" for tax purposes. Discuss example given.
Member of household or relationship test.	Describe requirements. Define "member of household" and "relative."
	Discuss dependency deduction for foster children.
Citizenship test	Describe requirements and given examples pertinent to military personnel.
Joint return test	Explain rule, give example and describe exception.
Summary	Review all material covered during this lesson following outline in Course Book. Discuss and have students use Dependency Exemption Charts in Appendix C.
Quizzes	Have participants take the quizzes and do the return preparation problem. Allow them to grade each others quizzes.
	Discuss any points in which the class is interested.

Lesson Plan 3

Course:
U.S. Armed Forces Training – Income Tax Law

Lesson:
Gross Income

Objectives:
At the end of this lesson participants will be able to:
1. State the different types of income to be reported for tax purposes.
2. State where these items of income are shown on a tax return.

Total Time
2 hours

Methods:
Lecture and discussion

Training Aids:
Blow-ups of Forms 1040 and 1040A and Schedules B, D and E.

Student Materials:
Course Book, Publication 757.

References
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Content	Notes:
Introduction	Ask class if they have any questions about anything covered the previous day. Outline briefly what will be covered during this lesson.
"Income" Defined	Give definition of "income" and cite examples.
Forms of Income	Describe various forms of income. Also, state that income must be "realized" before it can be taxed. Discuss and give examples.
Military Taxable Wages Subject to Withholding and Reported on Form W-2:	Explain Form W-2
Basic pay	Describe
Incentive pay	Describe and discuss the various types.
Special pay	Describe and discuss the various types.

Content:	Notes:
Military Taxable Wages Subject to Withholding and Reported on Form W-2: (continued)	
Lump sum payment for Accrued Leave	Describe what it is and how it applies to officers and enlisted men. Mention relationship between basic pay and accrued leave payment.
Reenlistment bonus	Describe provisions including special situation concerning combat zone.
Severance pay	Describe what it is and how it is computed.
Readjustment pay	Describe what it is, how it is computed and the two exceptions.
Dislocation allowance	Describe what it is and why it is normally taxable. Mention possible exclusion because of combat zone.
Forms W-2	Discuss procedure when there is more than one Form W-2 for a taxpayer. Indicate where W-2(s) are to be attached when filing return.
Forms 1040 and 1040A for 1975	Mention that these forms may not be used by nonresident aliens. Review again when Form 1040A may be used.
Schedules B, C, D, E and R, and F	Indicate that Form 1040 may be used by any taxpayer (other than a nonresident alien). Describe the various schedules that are provided for sources of income other than wages or salaries which then become a part of the Form 1040.
Form 1040X	Describe its purpose, use, and filing deadline. Mention that it may only be used after filing an original return.
Income From All Sources Other Than Wages	Indicate where amounts are entered on Form 1040 from the various schedules. Also indicate that where "other income" is involved, it is necessary to prepare the schedules first.

Lesson Plan 3 (Cont. 2)

Content:	Notes:
Dividends – Schedule B, Part I	Give general definition of dividends and then describe the exceptions.
Exceptions	When discussing stock dividends, describe the several exceptions which are not tax free. Discuss what the "basis" is in a nontaxable distribution.
Dividends on stock sold	Describe and discuss.
Dividends on insurance policies	Describe what they are and how handled.
Dividends from mutual funds	Describe and indicate how reported.
Dividends from savings and loan associations	Describe and indicate how reported.
Dividend exclusion	Define and describe. Indicate how entered on tax form. Be sure to indicate that dividend is included on Schedule B, Part 1, and then deducted on line 12b.
Return preparation	Describe what, where, and how dividends are shown (including symbols for stocks owned by husband, wife or jointly), including Schedule D for capital gains. Refer class to Publication 17 for more detailed information.
Interest – Schedule B, Part II	Describe types of interest that are full, taxable. Indicate <u>when</u> it is taxable.
Tax exempt interest	Discuss what type of interest is nontaxable.
Return preparation	Indicate where interest is entered on tax forms.
Gains and Losses from Sales and Exchanges	Describe and discuss general rules and define terminology.
Capital assets	Describe how classified and indicate exceptions.
Computation of capital gain or loss –Net long and short term capital gain	Discuss net long and short term capital gain. Give examples of each.

Content:	Notes:
Computation of capital gain or loss (continued)	
–Capital losses – short term and long term	Describe rules and requirements and give examples.
–Capital loss carryover	Describe rules and provisions and how entered on return. Explain example.
Pre-1970 long term capital losses	Describe rules and requirements and give example.
Computation of alternative tax	Indicate where computed and whom it would benefit.
Additional Schedule D transactions	Mention that sale of a residence or corporate stock is also entered on Schedule D.
–Sale of corporate stock	Discuss each of the three tax aspects which must be considered in computing gain or loss.
basis	Discuss the basis of purchased stock and of inherited stock, including fair market value for inherited stock.
selling price	Describe how arrived at and where entered.
holding period	Discuss provisions and exceptions.
–Sale of a residence	
general rule	Describe and discuss general provisions and revisions of the law. Discuss combat zone situation and postponement of tax.
the computation	Discuss loss and gain and how to enter on Schedule D. Discuss use of form 2119.
	Discuss "fixing-up" expenses.
taxpayer 65 or older	Discuss provisions with regard to taxpayer age 65 or older.
Alimony	Discuss conditions under which alimony is included in income and how it is to be reported.

Lesson Plan 3 (Cont. 4)

Content:	Notes:
Miscellaneous Income	Describe the miscellaneous types of income and how they are to be reported.
Summary	Review material covered during this lesson following outline in Course Book.
Quizzes	Have participants take the quizzes and do the continuing problem. Allow them to grade each others quizzes. Discuss any points raised.

Lesson Plan 4

Course:
U.S. Armed Forces Training - Income Tax Law

Lesson:
Exclusions and Deductions to Arrive at Adjusted Gross Income

Objectives:
At the end of this lesson participants will be able to:
1. Describe those items of income which are excludable or deductible from gross income in determining adjusted gross income.
2. Enter these items on their tax return.

Total Time
2 hours

Methods:
Lecture and discussion

Training Aids:
Blow-ups or handouts of the forms discussed in this lesson

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms, and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Contents:	Notes:
Introduction	Briefly outline what will be covered during this lesson. Indicate that Form 1040A cannot be used for items discussed in this lesson.
Excludable or Deductible Items Received from the Armed Forces	
Combat zone pay	Describe and discuss combat zone and hospitalization exclusion. Illustrate with examples provided.
Hostile fire pay	Describe and discuss criteria for eligibility for this exclusion.
	Discuss limitations to above exclusions.
Prisoner of war exclusion	Describe and discuss provisions.
Combat death waiver	Describe provisions and tax effect. Refer class to Publication 17 for additional information. Discuss Vietnam provisions.

Content:	Notes:
Compensation other than active duty pay	Describe the various types of payments received for active service in a combat zone which are excludable.
Pay earned but forfeited by Court Martial	Explain why no adjustment is required.
Basic allowance for quarters (BAQ)	Describe items which may be excluded.
Basic allowance for subsistence (BAS)	
Moving expenses	Describe and discuss provisions including eligibility requirements, what moving expenses are deductible, reporting procedure and handling the full-time work test, if not yet satisfied.
Travel expenses	Describe what is and is not allowable, record keeping, and how information is entered or furnished.
Disability retired and disability severance pay	Describe and discuss this type of pay and how it may be excluded. Also discuss excess which is subject to withholding.
Sick pay	
–Active duty pay	Explain provisions and limitation.
–Disability retired pay	Define and describe. Discuss retirement and sick pay.
Miscellaneous exclusions	Discuss each of the six miscellaneous exclusions shown in Course Book.
Excludable Items from Other Sources	
Life insurance (private companies)	
Government insurance and indemnity	
Commercial insurance	
Retired Serviceman's Family Protection Plan (formerly COA) annuities	Indicate that finance centers furnish full information on how to report
Compensation for injuries or sickness	Describe the four types.
Amounts received under accident and health plans	Explain the two types.

Content:	Notes:
Claims by Foreign Claims Settlement Commission.	
Meals and lodging	Explain the test to be met.
Gifts	Explain what is and is not excluded.
Scholarships and fellowships	Describe what is excluded and limitation.
Income of minor son or daughter	
Alimony income attributable to property	Explain "periodic payments" and how it effects former spouses.
Social security benefits	
Veterans Administration benefits	Explain exceptions.
State bonus	
Form 1040 – Line 16 Adjustments	Explain where each of the items discussed in this lesson are shown (or not shown) on the return or schedules.
Summary	Review each of the items discussed in this lesson.
Quizzes	Have class take quizzes. Allow them to grade each others answers. Quiz solutions follow. Answer any questions or clarify any points which may rise.

Lesson Plan 5

Course:
U.S. Armed Forces Training – Income Tax Law

Lesson:
Percentage Standard Deduction, Low Income Allowance and Itemized Deductions

Objectives:
At the end of this lesson participants will be able to:

1. Explain the advantages in using the percentage standard deduction, the low income allowance or itemized deductions.
2. Name those nonbusiness expenses which can be deducted from adjusted gross income to arrive at taxable income, i.e., medical expenses, contributions, taxes, interest, and other expenses.

Total Time
4 hours

Methods:
Lecture and discussion

Training Aids:
Blow-ups of Forms 1040, 1040A, Schedule A and handouts of Form 2441.

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Content:	Notes:
Introduction	Briefly outline what will be covered during this lesson.
Percentage Standard Deduction	Explain what it is, how it is computed, and when it can be used to advantage. Define "earned income."
AGI of $10,000 or more	Explain regulation and discuss example shown in Course Book.
AGI of less than $10,000	Explain when optional tax tables must be used.
Low Income Allowance	Explain whom this benefits and how. Describe requirements and discuss example.
Married person filing separate return	Explain provisions regarding itemizing deductions.
Married persons living apart	Explain provisions, benefits and tests that must be met to qualify.

Content:	Notes:
Optional tax tables	Explain what the tables are and who may use them. Discuss what will happen to married persons filing separate returns electing to have their tax computed by IRS.
Itemized Deductions	List the more common types of allowable deductions and discuss the factors that will effect a decision to itemize deductions.
Medical and dental expenses	Describe requirements which must be met with regard to medicine and drugs and for other medical expenses. Explain how medical insurance is handled.
– Medical expenses of dependent	Explain how medical expenses paid can be taken on behalf of someone who could be a dependent but was not because of income or filing a joint return.
– When deductible-reimbursements	Explain when medical expenses are deductible and how reimbursements are handled.
– Definition of medical expenses	Discuss what items are, and are not, generally deductible. Relate to medical treatment provided for military personnel and their dependents.
Contributions	Indicate that contributions made to "qualified" organizations are deductible and name some of these organizations.
– Nondeductible contributions	Explain rule and name some types of contributions which are not deductible.
– Cash or property	Explain fair market value, contributions of appreciated property, donated services, travel related to donated services, etc.
– Time for deduction	Discuss when allowable.
– Limitation on the deduction	Explain limitations.
– Carryover	Explain provisions and limitations.

Content:	Notes:
Taxes	Discuss, generally, when and which taxes are deductible.
– Real estate taxes	Discuss who may deduct; back taxes; apportioning; and tax payments held in escrow.
– Taxes paid for another	
– When deductible	
– Nondeductible taxes	Discuss regulatory taxes and assessments for local benefits.
Interest	Explain the general rule and cite examples.
– Note discount	Describe what it is and give example.
– Interest and service charges	State IRS position on insurance premiums on FHA loans. Discuss fees, commissions and expenses incurred when obtaining a mortgage. Discuss FHA loan discounts, loan fees (points), and interest on charge accounts.
– Installment payments	Discuss carrying charges and finance charges, limitation and computations. Explain example in Course Book.
Child Care Expenses	
– Expenses for household and dependent care services necessary for gainful employment	Explain requirements for deductibility and limitations on amount. Explain how expenses are reduced by certain payments for a disabled dependent or incapacitated spouse. Explain how these expenses affect married couples or when payments are made to related individuals. Refer class to Publication 17 for additional information.

Content:	Notes:
Losses	
– Deductible	Describe when property losses are allowable and how to compute. Explain examples. Discuss losses to military disbursing officers and losses sustained as a result of the destruction or seizure of property during military operations. Discuss wagering losses and when deductible.
– Losses – not deductible	Discuss the various types of non-deductible losses shown in Course Book.
Miscellaneous deductions	Explain what remainder of less will cover and indicate where entered.
– Uniforms	Explain why the cost and maintenance of military apparel, not of a distinctive type, is generally not allowable as a deduction.
– Fatigues	Explain extent allowable.
– Alimony payments	Discuss alimony payments in general, importance of the terms of the decree, who is considered a minor child and to whom payments are deductible. Discuss what are considered alimony payments and contrast them with periodic payments. Give examples. Describe and discuss lump sum settlements and how treated. Discuss ramifications of alimony trusts, insurance policies, annuities, etc. Discuss how alimony payments are reported by wife.
– Contribution to a candidate for public office	Explain provisions and limitations.

Content:	Notes:
Miscellaneous deductions (continued)	
– Expenses for education	Explain when deductible, what amounts can be included and circumstances when expenses are not allowable.
– Brokerage fees	Discuss which fees are deductible and which are not.
– Safe deposit box rent	Explain when deductible.
Miscellaneous items – not deductible	Discuss the various nondeductible expenses shown in Course Book.
Notes	Indicate how itemized deductions are to be entered when there is insufficient room on Schedule A.
	Indicate questions which can be asked to determine if it would be advantageous to itemize deductions.
Credit for personal exemptions.	Review the time limits of the 1975 Tax Reduction Act.
Credit for earned income.	
Credit for purchase of new residence.	
Summary	Review material covered during this lesson.
Quizzes	Have class take quizzes and do continuing problem on pages 52-53.
	Allow class to grade each other's answers.
	Go over any points which are unclear.

Lesson Plan 6

Course:
U.S. Armed Forces Training – Income Tax Law

Lesson:
Rental Income and Depreciation

Objectives:
At the end of this lesson participants will be able to:
1. Define rental income and expenses and be able to prepare a tax form including such information.
2. Describe the three principal methods of computing depreciation.

Total Time
1 hour

Methods:
Lecture and discussion

Training Aids:
Blow up of Form 1040 and Schedule E

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Content:	Notes:
Introduction	Ask participants if they have any questions about material covered during the previous day. Briefly describe what will be covered during this lesson.
Rental Income	Define rent.
When reported	Explain when rent is to be reported, i.e., cash or accrual basis, how advance rent, security deposits, cancellation of a lease, improvements by a tenant to leased property, etc., are handled.
Rental Expenses	Mention the three broad groups before going into an in-depth description.
Repairs	Define a repair expense.

Content:	Notes:
Other expenses	Describe what can be included.
Part business – part personal	Discuss treatment of depreciation, repairs and other expenses when part of residence is rented out.
Depreciation	Define and indicate what remainder of lesson will be about.
– Conditions necessary to allowance of depreciation	Describe the three basic conditions which must exist before an allowance for depreciation can be taken.
– When depreciation is allowed	Describe how depreciation is computed and give example.
–Property subject to depreciation	Describe and discuss the two categories.
– Basis for computing depreciation	Explain how arrived at, define "adjusted basis" and give examples.
– Allocation of purchase price between land and building	Give example.
– Accounting for depreciable property	Indicate how items can be treated.
– Determinations of useful life or rate	Define and describe how "useful life" may be determined.
– Salvage value	Define what it is and how determined.
– Methods of computing depreciation	Explain that any reasonable method may be used but indicate the three used most commonly.
straight-line method	Describe and discuss and give example.
declining balance method	Describe the three maximum rates that may be used, show how computed and discuss examples of each: • twice the straight line rate • 1-1/2 times the straight line rate • 1-1/4 times the straight line rate
sum-of-the-years digits method	Describe when this method is allowed, how it is computed and give examples.

Content:	Notes:
Additional First Year Depreciation	Explain election limit and what type of property qualifies. Also, discuss example. Refer class to Publication 17 for additional information. Point out that a trust can not elect additional first year depreciation.
Summary	Review material covered during this lesson. Have class complete the continuing problem.

Lesson Plan 7

Course:
U.S. Armed Forces Training – Income Tax Law

Lesson:
Aliens

Objectives:
At the end of this lesson participants will be able to:
1. Compare and contrast the two different statuses of aliens.
2. Describe the applicable tax principles where U.S. citizens are married to nonresident aliens
3. Describe the application of community property law to the above situation.

Total Time
3 hours

Methods:
Lecture and discussion

Training Aids:
Blow ups or handouts of the forms discussed in this lesson.

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO P-1983, "Armed Forces Federal Income Tax."

Content:	Notes:
Introduction	Briefly outline what will be covered during this lesson.
Returns Filed by Aliens	Describe the two classes of aliens for income tax purposes.
Resident aliens	Define "resident alien" and indicate that the same provisions for filing returns that apply to citizens of the U.S. also apply to resident aliens.
Nonresident aliens	Define term, and indicate what sources of income are liable for tax, tax form to be used and when filed. Compare requirements between two types of aliens.

Content:	Notes:
	Mention dual-status taxpayer but refer class to Publication 519 for more information.
Alien Members on Active Duty	Discuss distinction and ramifications of determination of alien status with regard to military taxable pay and where earned.
Enlistees	Discuss the two characteristics which can classify an alien enlistee as a resident alien. Also discuss status of aliens who are in the U.S. merely because of military assignment.
Inductees	Discuss criteria used to determine if aliens are subject to induction.
Military Personnel Married to Aliens	
General rules	Explain options and requirements and the rule about joint returns if either spouse was a nonresident alien during any part of the year.
Soldiers domiciled in community property states	List the community property states.
	Describe the tax advantages of a soldier domiciled in community property state serving in a military capacity abroad and married to an nonresident alien. Give example. Indicate how income would be reported.
	Briefly discuss election for treatment of income subject to foreign community property law.
	Discuss what constitutes U.S. sources of income in this situation.
	Discuss change in status from nonresident to resident alien.

Content:	Notes:
What constitutes "domicile" for community property purposes	Distinguish between residence and domicile and what the determining factors are. Explain "intention." Discuss several court decisions which have attempted to define domicile. Discuss the two examples given concerning military situations dealing with community property laws.
Information to be Filed with Returns	Describe the filing of a Form 1040 and a 1040NR by a U.S. citizen, domiciled in a community property state, married to a nonresident alien, the inclusion of a statement with both returns and what kind of information the statement should contain.
Summary	Review material covered during this lesson.
Quizzes	Have students take quizzes. Allow them to grade each others papers. Answer any questions which may be raised.

Lesson Plan 8

Course:
U.S. Armed Forces Training – Income Tax Law

Lesson:
Exclusion of Earned Income From Sources Without the United States, Section 911

Objectives:

At the end of this lesson participants will be able to describe the rules and requirements with regard to excluding earned income from sources outside the U.S.

Total Time
One hour (plus 3 hour review of entire course)

Methods:
Lecture and discussion

Training Aids:
Blow ups or handouts of the forms discussed in this lesson.

Student Materials:
Course Book, Publication 757.

References:
Publication 17, "Your Federal Income Tax," tax forms and Department of Navy publication NAVSO-P-1983, "Armed Forces Federal Income Tax."

Content:	Notes:
Introduction	Briefly describe what will be covered in this lesson.
General Rules	Discuss what income may be exempt from U.S. tax and who is entitled to this exclusion. For U.S. citizens who do qualify for exemption, discuss either of two circumstances which must be met. Describe what type of income can be excluded. Describe and discuss the five general rules pertaining to the exemption of earned income.

Content:	Notes:
Bona Fide Residence	Discuss factors which are usually considered in determining bona fide foreign residence. Discuss the three situations which can indicate when an individual is not considered to be a bona fide resident of a foreign country.
Physical Presence Abroad	Discuss in detail the length of time physical presence abroad is required to exclude compensation for personal services rendered abroad. Discuss definition of "qualifying day." Describe how full days of presence in foreign countries is computed. Discuss travel between foreign countries. Discuss employment by U.S. government not counting toward meeting requirement. Describe how period of 18 consecutive months is calculated. Discuss necessity of accurate record keeping.
First Year in a Foreign Country	Discuss requirements for taxable year or 18 month period elapsing. Discuss choice of two procedures a taxpayer can take when he has not been a bona fide resident of a foreign country for an entire taxable year, i.e., 1) filing return on normal due date and later filing a claim for refund, or 2) obtaining an extension of time for filing. Discuss which forms to use in each of above cases and where to file. Discuss advisability of filing by due date if tax will have to be paid.

Content:	Notes:
Personal Service Earnings From Appropriated or Nonappropriated Funds	Discuss generally the exclusion of income earned from these types of funds. Refer class to Publication 54 for additional information.
Summary	Briefly review material covered during this lesson.
Review	Review all material covered during this course allowing sufficient time to answer questions.

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